

**WORTHING  
INDUSTRIES INC.**

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**ANNUAL REPORT  
1994**

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**Corporate Headquaters**

#101, 1202 Centre Street South  
Calgary, Alberta  
T2G 5A5 Canada  
Phone: (403) 267-2545

**Registered Office**

#2800, 801 - 6th Avenue SW  
Calgary, Alberta  
T2P 4A3 Canada  
Phone: (403) 267-8400

**Directors/Officers**

**Harvey R. Poon**  
President

**Peter B. Fransham, Ph.D.**  
Vice President Research & Operations

**Peter E. Hayvren**  
Secretary/Director

**Ivan E. Eriksen**  
Director

**Solicitors**

**Walsh Wilkins**  
Barristers and Solicitors  
2800, 801 - 6th Avenue SW  
Calgary, Alberta T2P 4A3

**Auditor**

**Chalmers White**  
Chartered Accountants  
670-10201 Southport Rd. SW  
Calgary, Alberta T2W 4X9

**Stock Transfer Agent & Registrar**

**Montreal Trust Company of Canada**  
Stock and Bond Transfer Department  
411 - 8th Avenue S.W.  
Calgary, Alberta T1P 1E7

**Financial Institution**

**Royal Bank of Canada**  
Main Branch  
339 - 8th Avenue S.W.  
Calgary, Alberta T2P 1C4

**Annual Meeting**

The annual meeting of the shareholders  
will take place Tuesday, March 28, 1995, at  
Walsh Wilkins, #2800, 801 - 6 Avenue SW,  
Calgary, Alberta, at 2:00 p.m.

**Exchange Listing**

**Alberta Stock Exchange**  
Symbol = "WNG"

**February 14, 1995**

**To The Shareholders:**

The following report, highlighting the results of the fiscal year ending September 30, 1994 is presented on behalf of the Board of Directors of Worthing Industries Inc. ("Worthing").

Worthing's efforts over the past year focused primarily on the market development of it's proprietary thermolysis technology, specifically in the area of recycling treated wood waste products. In October 1993, Worthing, together with TransAlta Enterprises Corporation, an affiliate of TransAlta Utilities Corporation; the largest investor owned electric utility in Canada, formed a 50/50 joint venture company called TWT Technologies Inc. for the purpose of recycling treated wood utility poles.

Since it's formation, TWT has signed four letter agreements with companies in Canada and the United States to further develop the technology by way of a joint venture, equity partnership or sale and purchase of a recycling plant. To date, no cash flow has been provided as a result of these agreements, however negotiations continue on an ongoing basis and we are confident that in the coming year, positive results will be derived from these agreements.

In March 1994, Worthing announced it's successful completion of an Exchange Offering Prospectus through Rogers & Partners Securities Inc., raising \$565,000 for Worthing's treasury. The proceeds of the Offering were used to retire debt and invest in TWT by way of a shareholder's loan and management support.

In October 1994, Worthing was successful in it's application for a U.S. Patent for it's process of handling treated wood and was awarded U.S. Patent Certificate No. 5,378,323. The patent application in Canada is still pending.

Currently, Worthing is pursuing business relationships with other companies that may result in a joint venture, equity partnership or the acquisition of related technologies that could provide Worthing with cashflow and/or the ability to raise funds based on the new technology.

As we continue to grow, we are optimistic about our future prospects and would like to thank you for your patience and ongoing support.

**Harvey R. Poon  
President**

NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Meeting") of the holders of common shares of Worthing Industries Inc. (the "Corporation") will be held at Walsh Wilkins, Suite #2800, 801 - 6 Avenue S.W., Calgary, Alberta T2P 4A3, on the 28th day of March, 1995 at 2:00 p.m. (Calgary time) for the following purposes:

1. To receive the Financial Statements of the corporation for the fiscal year ended September 30, 1994 and the Auditors' Report thereon;
2. To elect directors for the ensuing year;
3. To appoint auditors for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors;
4. To transact such other business as may properly be brought before the meeting or any adjournment(s) thereof.

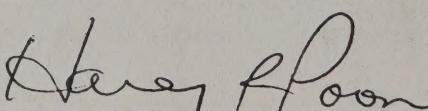
Registered shareholders who are unable to attend the Meeting in person and who wish to ensure that their shares will be voted at the Meeting are requested to complete, sign and mail or deliver the enclosed form of proxy to Montreal Trust Company, Stock and Bond Transfer Department, 411 - 8 Avenue S.W., Calgary, Alberta, T2P 1E7, to reach the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for holding of the Meeting or any adjournment(s) thereof.

Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.

Dated at Calgary, Alberta, this 14th day of February, 1995.

BY ORDER OF THE BOARD OF DIRECTORS

Per:

  
\_\_\_\_\_  
Harvey R. Poon, President

ANNUAL MEETING OF SHAREHOLDERS

PURPOSE OF SOLICITATION

This information circular is provided in connection with the solicitation of proxies by or on behalf of management of Worthing Industries Inc. (the "Corporation") for use at the Annual Meeting of the shareholders of the Corporation (the "Meeting") to be held on Tuesday, the 28th day of March, 1995, at the hour of 2:00 p.m. (Calgary time), at Walsh Wilkins, Suite #2800, 801 - 6 Avenue S.W., Calgary, Alberta, and at any adjournment(s) thereof for the purposes set out in the accompanying Notice of Annual Meeting (the "Notice"). The solicitation of proxies by management and brokers will be primarily by mail, however, proxies may also be solicited personally or by telephone, or other means of communication by regular employees of the Corporation or by cooperating brokers. The cost of any such solicitation will be born by the Corporation.

APPOINTMENT AND REVOCATION OF PROXY

A shareholder has the right to designate a person (who need not be a shareholder of the Corporation) other than the persons designated in the form of proxy, who are the management designees, to attend and act for him at the Meeting. Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting therefrom the names of the management designees or by completing another instrument of proxy and, in either case, delivering the resulting instrument of proxy to the Secretary of the Meeting prior to any matter upon which a vote has not already been cast pursuant to the authority conferred by the instrument of proxy.

A form of proxy will not be valid and will not be acted upon or voted unless it is duly completed and delivered to Montreal Trust Company, Stock and Bond Transfer Department, 411 - 8th Avenue S.W., Calgary, Alberta, T2P 1E7, to reach the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for holding of the Meeting or any adjournment(s) thereof. The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The record date for the Meeting has been established as February 21, 1995 (the "Record Date"), for the determination of shareholders entitled to receive notice of and to vote their shares, at the Meeting except to the extent that a) such person has transferred the ownership of any of his shares after the Record Date and b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands, not later than 10 days before the Meeting, that his name be included in the list before the Meeting, in which case the transferee is entitled to vote such shares at the Meeting.

In addition to any other manner permitted by law, a shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast by completing an instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, and by depositing such instrument of revocation either with Montreal Trust Company, Stock and Bond Transfer Department, 411 - 8th Avenue S.W., Calgary, Alberta, T2P 1E7 at any time up to and including the last business day preceding the day of the Meeting, or with the Chairman of the Meeting on the day of the Meeting immediately prior to the commencement thereof or adjournment(s) thereof. In addition, a proxy may be revoked by the shareholder personally attending at the Meeting and voting his shares.

### **VOTING OF PROXIES**

All shares represented at the Meeting by properly executed proxies will be voted by the persons named in such proxy as proxy holder on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the shares represented by proxy will be voted in accordance with such specification. In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of all the matters set out thereon. The enclosed instrument of proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice and any other matters which may properly come before the Meeting. At the date of this Information Circular, the management of the Corporation is not aware of any such amendments, variations or other matters. If other matters should properly come before the Meeting, it is the intention of the persons named in the enclosed proxy to vote such proxy according to their best judgment.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of the Corporation is comprised of an unlimited number of Class A common voting shares ("shares"). As at the Record Date, the Corporation had 8,979,416 issued and outstanding. The registered holders of shares, as at the close of business on the Record Date, are entitled to vote the shares held by them, either in person or by proxy, at the Meeting or any adjournments(s) thereof, on the basis of one vote for each share held, except to the extent that a registered holder of shares has transferred any of his shares after such date, and the transferee of such shares produces properly endorsed certificates evidencing such shares or otherwise establishes that he owns the shares and demands at any time before the Meeting, that his name be included to vote the transferred shares at the Meeting and he shall be entitled to vote such shares at the Meeting. One person who is a shareholder present at the meeting and is entitled to vote at the Meeting will represent a quorum.

To the knowledge of the Corporation, the following beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the voting rights attached to the shares of the Corporation as at the date hereof:

<b>Name and Municipality of Residence</b>	<b>Number of Shares</b>	<b>Approximate Percentage of Class</b>
Peter B. Fransham	1,419,873 <sup>(1)</sup>	15.8

(1) Includes 615,848 shares owned by Encon Enterprises Inc. and 660,926 shares owned by Culmen Enterprises Inc.

### **STATEMENT OF EXECUTIVE COMPENSATION**

#### **Cash**

There are presently two executive officers of the Corporation. During the last completed financial year of the Corporation two executive officers received aggregate cash compensation from the Corporation for services rendered during the last completed financial year of \$265,500 (1993 - \$37,500).

#### **Plans**

Although Worthing does not have a formal stock option plan, its Board of Directors has granted Worthing Options to certain directors, officers, including certain executive officers, and key employees of Worthing. The Worthing Options were granted by the Board of Directors of Worthing at exercise prices which were not less than the maximum discount allowed by the by-laws and policies of the stock exchange on which Worthing Common Shares were trading at the time of grant of the Worthing Options.

Since the commencement of the last completed financial year of the Corporation, the Board of Directors of the Corporation granted options to purchase an aggregate of 240,000 Common Shares to certain executive officers and other employees of the Corporation which are still outstanding.

**Other**

The aggregate value of other compensation (including benefits) paid by the Corporation to executive officers of the Corporation did not exceed the lesser of \$10,000 times the number of executive officers and 10% of the cash compensation paid to executive officers of \$265,500 during the financial year ended September 30, 1994.

**Directors**

No remuneration has been paid or is payable by the Corporation in respect of the Corporation's last completed financial year ended September 30, 1994, to the directors of the Corporation in their capacity as directors of the Corporation.

**Indebtedness of Directors and Senior Officers**

No directors or senior officers have been indebted to the Corporation at any time since the commencement of the last completed financial year of the Corporation.

**INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors and senior officers of the Corporation, nominees for director, any shareholder who beneficially owns more than 10% of the shares of the Corporation, or any known associate or affiliate of such persons in any transaction since the commencement of the Corporation's last completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation other than the following:

- 1) During the year legal fees in the amount of \$45,005 (1993 - \$24,022) were paid to a firm in which a director of the Corporation is a partner.
- 2) The Company paid \$39,437 (1993 - \$29,872) of debt to Culmen Enterprises Inc. for payment of the balance remaining on the 1991 Asset Purchase Agreement.

**PARTICULARS OF MATTERS TO BE ACTED ON**

To the knowledge of management, the only matters to be brought before the Meeting are those set forth in the accompanying Notice of Meeting relating to: receiving the Financial Statements of the Corporation for the year ended September 30, 1994, and the Auditors' Report thereon; the election of directors; and the appointment of auditors and the granting of authority to the directors to fix the auditors' remuneration.

**It is the intention of the management designees, if named as proxy, to vote for the approval of all the foregoing.**

### **1. Financial Statements and Auditor's Report**

Pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") and of the Corporation's By-Laws, the Corporation will submit to the shareholders at the Meeting their report, the Financial Statements of the Corporation to September 30, 1994 and the Auditors' Report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

### **2. Election of Directors**

The Articles of the Corporations provide that the board of directors shall consist of a minimum of One (1) and a maximum of Ten (10) directors. All the directors are to be elected annually and each shall hold office until the close of the next annual meeting of shareholders or until their successors are duly elected, unless a director has vacated or been removed from his office earlier in accordance with the By-Laws of the Corporation. A director need not be a shareholder but must be a person qualified to serve under the provisions of ABCA.

At the Meeting it is proposed that a board of four directors be elected. The Board currently consists of four directors.

It is proposed that the undermentioned persons will be nominated at the meeting. The proposed directors are presently directors. **It is the intention of the management designees, if named as proxy to vote for the election of said persons to the Board of Directors.** Management does not contemplate that any such nominees will be unable to serve as directors. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, **the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless the shareholder has specified in his proxy that his shares are to be withheld from voting on the election of directors.**

The following information relating to the nominees as directors is based partly on the Corporations records and partly on information received from said nominees and sets forth the name and municipality of each of the persons proposed to be nominated for election as director, all positions and offices in the Corporation currently held by him and his principal occupation, the year in which he was first elected director, the approximate number of shares of the Corporation that each nominee owns, beneficially, or over which he exercised control or direction as of the date hereof.

**INFORMATION  
CIRCULAR****Worthing Industries Inc.****1994****DIRECTORS AND EXECUTIVE OFFICERS**

Name and Municipality of Residence and Postion	Principal Occupation for the Past Five Years	Year First Elected	Common Shares
*Harvey R. Poon Calgary, Alberta Director/President	President, Worthing Industries Inc. (1991 - Present)  Sales Manager, PHH Canada Inc. (1986 - 1991)	1991	604,876
Peter Fransham Calgary, Alberta Director/VP	VP Research & Development, Worthing Industries Inc. (1991 - Present)  Engineer & Scientist, President of Culmen Enterprises Inc. &Encon Enterprises Inc. (1988 - 1991)  Research Scientist, Nova Husky Research Corporation (1985 - 1988)	1991	1,419,873 (Culmen & Encon)
*Peter Hayvren Calgary, Alberta Director/Secretary	Lawyer, Walsh Wilkins (1984 - Present)	1991	124,763
*Ivan Eriksen Calgary, Alberta Director	Real Estate Sales, Sutton Group (1991 - Present)  Retired from Esso Resources as Team Leader of Administration & Data Management Systems (1965 - 1991)	1991	107,388

\* Member of Audit Committee.

**3. Appointment of Auditors**

At the meeting, the shareholders will be called upon to appoint auditors to serve until the close of the next annual meeting of the Corporation, and to authorize the directors to fix the remuneration of the auditors so appointed.

The audit committee and management recommend that the shareholders vote for the appointment of Chalmers White, Chartered Accountants who have served as the Corporation's auditor since 1991.

# INFORMATION CIRCULAR

Worthing Industries Inc.

1994

Unless specifically instructed in the proxy to withhold such vote, the person(s) designated as proxy holder(s) in the accompanying form of proxy intend to vote for the appointment of Chalmers White, Chartered Accountants as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the directors to fix their remuneration.

## OTHER MATTERS

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting. Management knows of no such amendments, variations or other matters which may properly be presented at the Meeting, but if other matters do properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy according to their best judgment.

## CERTIFICATE

The contents and the sending of this Information Circular have been approved by the Board of Directors.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of circumstances in which it was made.

DATED at Calgary, Alberta, this 14th day of February, 1995.

Per: Harvey R. Poon  
Harvey R. Poon, President



**WORTHING INDUSTRIES INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 1994**

## **INDEX**

	<b>Page</b>
<b>Auditors' Report</b>	<b>1</b>
<b>Consolidated Balance Sheet</b>	<b>2</b>
<b>Consolidated Statement of Operations and Deficit</b>	<b>3</b>
<b>Consolidated Statement of Cash Flow</b>	<b>4</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>5-9</b>

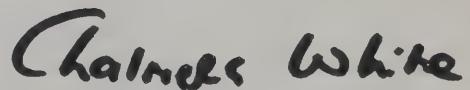
### AUDITORS' REPORT

To the Shareholders  
Worthing Industries Inc.

We have audited the consolidated balance sheet of Worthing Industries Inc. as at September 30, 1994 and the consolidated statements of operations and deficit and cash flow for the year ended September 30, 1994. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Calgary, Alberta  
January 24, 1995

CHALMERS WHITE  
Chartered Accountants

**WORTHING INDUSTRIES INC.**  
**CONSOLIDATED BALANCE SHEET**  
September 30, 1994

	<u>1994</u>	<u>1993</u> (Note 3)
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 71,164	\$ 3,873
Accounts receivable	70,175	19,092
Inventory	2,756	5,310
Prepayments	<u>5,069</u>	<u>29,637</u>
	149,164	57,912
<b>CAPITAL ASSETS (Note 5)</b>	538,345	250,823
<b>INTANGIBLES (Note 6)</b>	<u>198,011</u>	-
	<u>\$885,520</u>	<u>\$308,735</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 79,468	\$ 52,789
Promissory notes	-	25,000
Current portion of amount due to related company	-	<u>6,300</u>
	79,468	84,089
<b>DEFERRED GAIN ON SALE OF ASSETS</b>	2,672	-
<b>DUE TO RELATED COMPANY</b>	-	<u>33,137</u>
	<u>82,140</u>	<u>117,226</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	2,160,743	918,367
Deficit	<u>(1,357,363)</u>	<u>(726,858)</u>
	<u>803,380</u>	<u>191,509</u>
	<u>\$ 885,520</u>	<u>\$308,735</u>

APPROVED BY THE BOARD:

Dave R. Poon Director  
R. Bransham Director

**WORTHING INDUSTRIES INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
Year Ended September 30, 1994

	<u>1994</u>	<u>1993</u> (Note 3)
<b>REVENUE</b>		
Utility pole recycling fees	\$ 23,230	\$ -
Berthinate sales	<u>6,698</u>	<u>21,767</u>
	<u>29,928</u>	<u>21,767</u>
Less: Cost of sales		
Utility poles	34,841	-
Berthinate	<u>10,767</u>	<u>26,011</u>
	<u>45,608</u>	<u>26,011</u>
Net Loss from operations	(15,680)	(4,244)
Consulting fees	76,084	1,250
Government assistance and other income	<u>29,687</u>	<u>42,768</u>
	<u>90,091</u>	<u>39,774</u>
<b>EXPENSES</b>		
Amortization		
Capital assets	26,247	9,428
Intangibles	188,041	-
General and administrative	503,604	150,443
Goodwill written off	-	105,548
Interest on long-term debt	<u>2,704</u>	<u>1,588</u>
	<u>720,596</u>	<u>267,007</u>
<b>NET LOSS, for the year</b>	<b>630,505</b>	<b>227,233</b>
<b>DEFICIT, beginning of the year</b>	<b><u>726,858</u></b>	<b><u>499,625</u></b>
<b>DEFICIT, end of the year</b>	<b><u>\$1,357,363</u></b>	<b><u>\$726,858</u></b>
<b>LOSS PER SHARE (Note 4)</b>	<b><u>\$ 0.08</u></b>	<b><u>\$ 0.04</u></b>

**WORTHING INDUSTRIES INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
Year Ended September 30, 1993

	<u>1994</u>	<u>1993</u> (Note 3)
<b>OPERATING ACTIVITIES</b>		
Net loss	\$(630,505)	\$(227,233)
Add back amortization	<u>214,288</u>	<u>114,976</u>
	(416,217)	(112,257)
Net change in non-cash working capital balances relating to operating activities	<u>2,718</u>	<u>(19,572)</u>
Cash used in operating activities	<u>(413,499)</u>	<u>(131,829)</u>
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	(311,097)	3,143
Additions to intangibles	<u>(386,052)</u>	—
	(697,149)	3,143
Less: Issuance of shares - non-cash consideration	<u>600,000</u>	—
Cash used in investing activities	<u>(97,149)</u>	<u>(3,143)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares, net of issue cost	642,376	156,935
Repayment of long-term debt	(39,437)	—
Repayment of promissory notes	<u>(25,000)</u>	<u>(25,000)</u>
Cash provided from financing activities	<u>577,939</u>	<u>131,935</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>67,291</b>	<b>(3,037)</b>
<b>CASH, beginning of the year</b>	<u>3,873</u>	<u>6,910</u>
<b>CASH, end of the year</b>	<u>\$ 71,164</u>	<u>\$ 3,873</u>

**WORTHING INDUSTRIES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 1994**

**1. NATURE OF OPERATIONS**

The Company is a public company listed on the Alberta Stock Exchange and is in the environmental business.

On December 1, 1993 the Company sold its thermolysis plant and the related technology applying to treated wood products to TWT Technologies Inc. ("TWT"). In return the Company received a fifty percent interest in TWT. TWT is a joint venture enterprise between the Company and TransAlta Enterprises Corporation ("TransAlta") formed for the purpose of recycling treated wood products.

**2. GOING CONCERN**

The financial statements have been prepared on the going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The application of the going concern concept is dependant on the company's ability to raise additional financing and ultimately generate future profitable operations to fund product enhancements, marketing and other operational activities. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary if the company is not able to continue as a going concern.

The Company incurred significant losses to September 30, 1994, and has a serious working capital deficiency as at September 30, 1994.

As described in note 10, the Company is in the process of disposing of its Berthinate plant and operations. Management is of the opinion that the eventual proceeds from this disposal will be sufficient to discharge the working capital deficit and partly fund operations throughout its next fiscal year.

**3. COMPARATIVE FIGURES**

The 1993 comparative figures reflect the results of Worthing Industries Inc. before its 1994 investment in the TWT joint venture referred to below.

**4. ACCOUNTING POLICIES**

**a) Principals of Consolidation**

The investment in the joint venture has been accounted for using the proportionate consolidation method, whereby the Company's proportionate share of revenue, expenses, assets and liabilities are included in these financial statements.

**WORTHING INDUSTRIES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 1994

**4. ACCOUNTING POLICIES (cont.)**

b) **Inventory**  
 Inventory is valued at the lower of cost and net realizable value. Costs are determined on an average basis and the cost of processed poles include the cost of purchasing the poles, direct labour and manufacturing overhead.

c) **Capital Assets**  
 Capital assets are recorded at cost and are amortized over the expected useful life of the assets as follows:

<u>Assets</u>	<u>Basis</u>	<u>Rate</u>
Automobiles	Declining Balance	30%
Furniture and equipment	Declining Balance	20%
Thermolysis plant	Straight line over ten years	
Log peeler	Straight line over fifteen years	

d) **Intangible Assets**  
 The intangible asset referred to in note 6 is being amortized over a two year period.

e) **Patent Rights**  
 The cost of obtaining the United States patent rights to the thermolysis technology, is being amortized on a straight line basis over a twenty year period.

f) **Loss Per Share**  
 Loss per share is calculated based on the weighted average number of shares outstanding.

**5. CAPITAL ASSETS**

	<u>1994</u>	<u>1993</u>
		(Note 3)
Plant and machinery	\$559,626	\$248,534
Truck	11,328	3,449
Assets purchased under capital lease	-	14,110
Furniture and equipment	<u>11,749</u>	<u>2,841</u>
	580,703	268,934
Less: Accumulated amortization	<u>44,358</u>	<u>18,111</u>
	<u>\$538,345</u>	<u>\$250,823</u>

**WORTHING INDUSTRIES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 1994

**6. INTANGIBLES**

	<u>1994</u>	<u>1993</u>
		(Note 3)
a) Patent rights		
At cost, net of accumulated amortization of \$554 (1993 - nil)	\$ 10,523	\$ -
b) Contribution to joint venture, net of accumulated amortization of \$187,487 (1993 - nil)	<u>187,488</u>	- -
	<u>\$198,011</u>	\$ -

The Company acquired a prototype thermolysis unit from Encon Enterprises Inc. on September 1, 1991. The agreement provided, under clause 12, that if the Company sold the prototype unit before September 1, 1994, the Company would issue shares whose trading value equalled the face value of the prototype unit at the sale date, less \$150,000.

On December 1, 1993 the Company sold the prototype unit to TWT for a 50% interest in the joint venture. At that date, the prototype unit's fair value was \$750,000 based on:

- 1) the business plan prepared by the management of TWT
- 2) the estimated replacement cost of \$1,000,000
- 3) the costs incurred by Encon in developing the unit,

In settlement of the September 1, 1991 agreement, the Company issued 929,656 common shares valued at \$600,000.

The intangible asset represents the company's 50% share of the excess of its contributions to TWT over TransAlta contributions. This asset is being amortized over two years.

**7. SHARE CAPITAL**

a) Authorized:

An unlimited number of Class A common shares, all without nominal or par value.

b) Outstanding:

	<u>Number of Shares</u>	<u>Consideration</u>
Balance, September 30, 1992	5,757,274	\$761,432
For cash - private placements	260,000	78,812
- exercise of stock options	81,986	22,123
- exercise of warrants	<u>180,000</u>	<u>56,000</u>
Balance, September 30, 1993	6,279,260	918,367
For cash - exercise of warrants	510,000	152,946
- public offering	1,130,500	489,430
- disposal of pyrolysis plant	<u>929,656</u>	<u>600,000</u>
Balance, September 30, 1994	<u>8,849,416</u>	<u>\$2,160,743</u>

**WORTHING INDUSTRIES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 1994

**7. SHARE CAPITAL (cont.)**

**c) Options**

At September 30, 1994 there were 518,818 common shares of the company reserved for exercise of employee and director stock options as follows:

<u>Number of Shares</u>	<u>Issued Date</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
40,218	September 1, 1992	\$0.30	September 2, 1997
58,600	September 1, 1992	\$0.40	September 2, 1997
20,000	April 5, 1993	\$0.44	April 5, 1998
140,000	September 2, 1993	\$0.48	September 2, 1998
<u>260,000</u>	<u>September 2, 1998</u>	<u>\$0.60</u>	<u>September 2, 1998</u>
<b><u>518,818</u></b>			

**d) Warrants**

As part of the company's continuing financial progress, it has granted warrants for the purchase of common shares which were outstanding at September 30, 1994 as follows:

	<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Balance September 30, 1993	863,191		
Exercised	(510,000)		
Expired	(353,191)		
Granted - new issue	<u>1,130,500</u>	\$0.55	January 20, 1995
Balance September 30, 1994	<b><u>1,130,500</u></b>		

**8. RELATED PARTY TRANSACTIONS**

- a) The Company repaid \$39,437 of debt related to the 1991 asset purchase agreement. (1993 - \$29,872)
- b) During the year, the Company paid \$265,500 (1993 - \$37,503) in salaries to officers and directors.
- c) During the year, the Company paid \$45,005 (1993 - \$24,022) in legal fees to a firm in which one of the directors is a partner.

**WORTHING INDUSTRIES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 1994

**9. INCOME TAXES**

The Company has the following non-capital tax losses available to be carried forward against future taxable income:

<u>Year of Loss</u>	<u>Amount</u>	<u>Available Until</u>
1991	\$115,502	1998
1992	354,089	1999
1993	111,916	2000
1994	<u>292,032</u>	2001
	<u>\$873,539</u>	

In addition to the above tax losses, the Company has \$135,166 of various capital cost allowance pools (1993, \$268,943) and \$92,626 of cumulative eligible capital available to be carried forward indefinitely (1993, \$99,597). No recognition of any possible future tax benefits related to these amounts has been made in the accounts.

**10. DISCONTINUED OPERATIONS**

On December 21, 1993, the Company's directors approved the disposal of the Berthinate operations. At September 30, 1994, the Berthinate assets were held at the lower of cost and fair market value (\$90,000) on the balance sheet. A \$4,069 loss occurred this period from Berthinate operations. The assets are expected to be disposed of subsequent to the year end. (Note 11)

**11. SUBSEQUENT EVENTS**

- a) The Company is currently negotiating an agreement to trade the Berthinate plant and equipment with a carrying value of \$90,000, for a piece of property. In turn, the property with a fair market value of \$90,000, will be sold for cash consideration.
- b) On January 3, 1995, the Company issued 130,000 common shares for a total consideration of \$29,250.

